



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

## **PUBLIC DISCLOSURE**

**April 07, 2003**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Union National Bank & Trust Company  
Charter Number 11463**

**124 West Oak Street  
Sparta, WI 54656**

**Comptroller of the Currency  
Minneapolis South Field Office  
1310 West Clairemont Avenue Suite 100  
Eau Claire, WI 54702**

**NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

## TABLE OF CONTENTS

<i>INSTITUTION'S CRA RATING</i> .....	2
<i>DESCRIPTION OF INSTITUTION</i> .....	2
<i>DESCRIPTION OF ASSESSMENT AREA</i> .....	2
<i>CONCLUSIONS ABOUT PERFORMANCE CRITERIA</i> .....	3

## **INSTITUTION'S CRA RATING**

**This institution is rated Satisfactory.**

- The bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.
- A majority of loans by both number (90 percent) and by dollar volume (82 percent) are located within the bank's defined assessment area.
- The bank's lending distribution to individuals of different income levels (including low- and moderate-income borrowers) and businesses of various sizes is reasonable.

## **DESCRIPTION OF INSTITUTION**

Union National Bank & Trust Company (UNB) is a \$79 million institution located in Sparta, WI. Sparta has a population of approximately 8,648 people and is located approximately 25 miles east of La Crosse, Wisconsin. The bank has a main office and a separate autobank facility, both located in middle-income tracts in Sparta. UNB does not have Internet Banking or automated teller machines, but offers telephone banking to businesses and individuals.

UNB is 100 percent held by Sparta Union Bancshares, Inc., a one-bank holding company headquartered in Sparta, WI. As of December 31, 2002, Sparta Union Bancshares, Inc. had total assets of \$79 million. The bank does not have any affiliate relationships that impact the bank's CRA performance.

The bank's primary focus is commercial and residential real estate lending. As of December 31, 2002, the bank's \$40 million loan portfolio consisted of 39 percent residential real estate, 32 percent commercial, 18 percent consumer, and 11 percent agricultural loans based on outstanding dollars. As of December 31, 2002, net loans made up 50 percent of total assets.

UNB received a "Satisfactory" rating at its February 16, 1999, CRA examination. This CRA Performance Evaluation assesses the bank's CRA activities from January 1, 1999, through December 31, 2002. There are no financial, legal, or other factors that impede the bank's ability to meet its CRA obligations.

## **DESCRIPTION OF ASSESSMENT AREA**

UNB's assessment area (AA) consists of five block numbering areas (BNAs), 9502-9504 and 9508-9509, in the western half of Monroe County. All of the BNAs are designated middle-income. Fort McCoy military facility is located in the eastern half of BNA 9502, covering approximately 60,000 acres. The bank's assessment area complies with regulatory requirements and does not arbitrarily exclude any low- or moderate-income geographies.

According to the 1990 U.S. Census, the total population of the AA is 20,738. The 2000 U.S. Census information indicates the population of Monroe County at 40,899, representing an increase of 11.6 percent since 1990. According to the Department of Workforce Development's October 2002 Monroe County Workforce Profile, the City of Sparta had the highest increase in population between the two censuses. The population of the City of Sparta increased by approximately 860 people, accounting for 20 percent of Monroe County's total population increase during the 1990s.

The 1990 U.S. Census median family income (MFI) for the non-metropolitan area portion of Wisconsin is \$30,920. The U.S. Department of Housing and Urban Development's estimated 2002 MFI for the non-metropolitan area portion of Wisconsin is \$50,800. The 1990 U.S. Census estimated 18 percent of families in the AA were low-income, 21 percent moderate-income, 28 percent middle-income, and 33 percent upper-income.

The number of families in UNB's assessment area that are living below poverty level is well above the state average. According to the 1999 information from the U.S. Census Bureau, 8.7 percent of the families in the State of Wisconsin are below poverty level. In Monroe County, the percentage of families below the poverty level is 12 percent. Per 2000 U.S. Census information, the median housing value is \$77,500 and 74 percent of the housing stock is owner-occupied.

The local economy is stable and is primarily dependent on government, retail, and agricultural industries. Major employers in the area include the US Department of Defense, Wal-Mart Associates, Department of Veterans Affairs, The Toro Company, Northern Engraving, and Tomah Public School. Fort McCoy military training facility is the largest employer in Monroe County, employing approximately 1,600 civilians and 350 permanent military personnel. The estimated economic impact of this facility is about \$358 million, based on Fort McCoy's fiscal year 2002 figures. Unemployment in Monroe County is 6.2 percent as of February 2003, which is slightly lower than the 6.4 percent unemployment rate for the State of Wisconsin.

Bank competition in the area is healthy. There are 11 financial institutions with a presence in Monroe County, excluding credit unions. These organizations are of varied sizes and offer a range of banking products. According to the June 30, 2002 deposit information from the Federal Deposit Insurance Corporation, Farmers & Merchants Bank and Acuity Bank, SSB dominate the market share with 22 percent and 18 percent, respectively. UNB ranked third among the 11 banks with 14 percent market share.

Examiners made two community contacts during this CRA examination. The community contacts included a local realtor and an economic development organization. Both contacts stated that area banks are active in the community and responsive to credit needs in the county. The community contacts could not identify any community credit needs that were unmet. However, one contact indicated that there might be lending opportunities for mobile home loans.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

## Loan-to-Deposit Ratio

UNB's net loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly net loan-to-deposit ratio averaged 64 percent for the 16 quarters from March 31, 1999, through December 31, 2002. Similarly situated banks include the banks headquartered in UNB's assessment area with total assets between \$19 million and \$150 million.

Institution Name	Total Assets \$(000)s (as of 12/31/02)	Average Loan to Deposit Ratio 1Q99 – 4Q02
Union National Bank & Trust Company	79,000	63.69%
First Bank	68,300	75.67%
Bank of Cashton	41,452	80.72%
Community State Bank	19,595	80.95%
Farmers & Merchants Bank of Kendall	30,700	88.75%
Farmers & Merchants Bank	140,008	95.79%

Source: OCC Comparative Analysis Report

UNB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and lending opportunities within its assessment area. Although UNB's ratio appears low, one factor affecting the bank's ratio is new and refinanced real estate mortgages which are sold in the secondary market. In 2002, the bank sold \$17.8 million in residential real estate loans to the secondary market. The bank's loan-to-deposit ratio would have been higher if these loans had not been sold in the secondary market. However, loan sales could impact the loan-to-deposit ratios for the other banks as well.

## Lending in Assessment Area

Based on a random sample of 20 residential real estate and 20 commercial loans, UNB originates a majority of its loans to borrowers located within its defined assessment area. Of loans originated from January 1, 1999 to December 31, 2002, about 90 percent by number and 82 percent by dollar volume were made to individuals and businesses located within the bank's assessment area. The following table shows loans originated inside and outside the assessment area by number and dollar volume.

Lending in Assessment Area by Number and Dollar Amount (000s)								
Loan Type	In Assessment Area				Out of Assessment Area			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Residential Real Estate	18	90%	1,562,700	88%	2	10%	212,000	12%
Commercial	18	90%	627,952	70%	2	10%	271,200	30%
<b>Totals</b>	<b>36</b>	<b>90%</b>	<b>2,190,652</b>	<b>82%</b>	<b>4</b>	<b>10%</b>	<b>483,200</b>	<b>18%</b>

Source: Bank records (compiled by examiners)

## Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Overall, UNB has a reasonable distribution of credit among individuals of different income levels and businesses of different sizes.

Residential real estate lending activity in the assessment area is reasonable and approaches community demographics. UNB originated 684 residential real estate loans totaling \$53 million between January 1, 1999 and December 31, 2002. Examiners sampled 60 loans to residential real estate borrowers originated in the assessment area from January 1, 2001 through December 31, 2002. The following table compares the bank's residential real estate lending by borrower income level to community demographics.

<b>Borrower Distribution of Residential Real Estate Loans by Income Level</b>			
Borrower Income Level	Number	Percent of Number	Percent of Families
Low	1	2%	18%
Moderate	10	17%	21%
Middle	14	23%	28%
Upper	35	58%	33%
Totals	60	100%	100%

Source: Bank records (compiled by examiners) and U.S. Census Demographic Data (1990)

The demographics of the assessment area show that 18 percent of families are in the low-income category and 21 percent are in the moderate-income category. As shown in the above table, UNB's distribution of lending to moderate-income borrowers reasonably approximates the percentage of families in the assessment area with moderate incomes. While our sample indicates only 2 percent of the residential real estate loans were made to low-income families, the percentage of families below poverty level, those families that would have difficulty purchasing a home, is high at 12 percent. One community contact also indicated that there was a lack of affordable housing for low-income borrowers. Taking this into consideration, the bank's penetration of lending to low-income families more closely approximates area demographics.

Commercial lending activity in the assessment area (75 percent) reasonably approximates community demographics of 95 percent. UNB originated 317 commercial loans totaling \$31 million between January 1, 1999 and December 31, 2002. Examiners sampled 20 loans to commercial and commercial real estate borrowers originated in the assessment area from January 1, 2001 through December 31, 2002. The following table compares the bank's commercial lending activity by revenue size to community demographics.

<b>Borrower Distribution of Commercial Loans by Revenue Size</b>			
Annual Gross Revenue	Number	% of Number	Business Data

<\$50,000	5	25%	95%
\$50,000-\$100,000	2	10%	
\$100,000-\$250,000	3	15%	
\$250,000-\$500,000	2	10%	
\$500,000-\$1,000,000	3	15%	
>\$1,000,000	5	25%	5%
<b>Totals</b>	20	100%	100%

Source: Bank records (compiled by examiners) and U.S. Census Business Demographic Data (1990)

We did not perform a review of UNB’s agricultural or consumer lending activity, as these are not major product lines for the bank. UNB originated 153 agricultural loans totaling \$5 million between January 1, 1999 and December 31, 2002. UNB originated 1,930 consumer loans totaling \$16 million during the same period of time.

**Geographic Distribution of Loans**

Analysis of lending by geographic distribution is not meaningful. The assessment area contains only middle-income geographies.

**Responses to Complaints**

UNB has not received any CRA-related complaints since the last CRA exam.

**Fair Lending Review**

We found no evidence of illegal discrimination or other illegal credit practices.